M E M O

To: Housing Methodology Committee
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Re: Using RHNA Methodology Factors to Further Regional Goals

Summary

At the August meeting, the Housing Methodology Committee (HMC) began a discussion about the *Projections* forecast and its relationship to the regional goals for growth and the RHNA objectives. The committee also explored how the potential methodology factors are currently addressed in *Projections*.

As requested by members of the HMC, this memo presents details on the relationship between *Projections* and RHNA. Specifically, it shows how the regional goals and RHNA objectives are met through *Projections*. We also present whether and how the individual factors (as amended by HMC in August) are included in *Projections* as well as how they might be used in an allocation methodology.

Generally, we believe that a clear and appropriate allocation can be achieved by maintaining consistency with regional goals and the objectives listed in RHNA law and, more importantly, by focusing the methodology on where growth should occur versus where it cannot.

RHNA & Regional Goals

As noted at the August HMC meeting, the RHNA objectives are consistent with the regional goals for growth. These are listed below:

RHNA Objectives	Regional Goals for Growth
(1) Increase the housing supply and the mix of housing types, tenure, and affordability in all cities and counties within the region in an equitable manner, which shall result in each jurisdiction receiving an allocation of units for low and very low income households.	• Strengthen and support unique existing communities • Create compact, healthy communities with a diversity of housing, jobs, activities, and services to meet the daily needs of residents • Increase housing supply and choices
(2) Promote infill development and socioeconomic equity, the protection of environmental and agricultural resources, and the encouragement of efficient development patterns.	• Improve housing affordability • Increase transportation efficiency and choices • Protect and steward natural habitat, open space, and agricultural land
(3) Promote an improved intraregional relationship between jobs and housing.	• Improve social and economic equity • Promote economic and fiscal health
(4) Allocate a lower proportion of housing need to an income category when a jurisdiction already has a disproportionately high share of households in that income category, as compared to the countywide distribution of households in that category from the most recent decennial United States census.	• Conserve resources, promote sustainability, and improve environmental quality • Protect public health and safety

As the above table demonstrates, there is consistency between the RHNA objectives and the regional goals. This is important because, as a result of the Smart Growth Strategy/Regional Livability Footprint Project that was completed in 2002, ABAG's Executive Board resolved to use the regional goals (recently refined as part of the *Focusing Our Vision* program) as the basis for *Projections*. Since that decision, *Projections* assumes that, over time, local land use policies will move the region closer toward meeting the regional goals.

The shift to policy-based *Projections* has important implications for growth and development in the region. For example, *Projections* now forecasts more growth in existing urbanized areas and near transit, and less in agricultural areas. This is consistent with the regional goals for growth and the RHNA objectives that call for an increase in the supply of housing, jobs-housing balance, more infill development, protection of the environment, efficient development pattern and others. Since the *Projections* forecast is the basis for the RHNA allocations, these policies will then influence how housing units are distributed within the region.

RHNA Factors
In addition to considering the RHNA goals in its methodology, the HMC must determine which factors should be included, and how they should be used. Factors are used to assign a share of the region's total housing need to individual jurisdictions. The factors cannot be used to change the total regional housing need.

Therefore, the factors are always expressed as a share of the regional total. For example, a city might have 5% of the total households in a region, or 7% of the total land area in a region, or 2% of all the library books in a region. If used as factors, these same shares are then used to assign a proportion of the regional housing need to the jurisdiction.

Suggestions for how the proposed factors can be incorporated into a methodology are presented below. Since many of the land use factors are already incorporated into *Projections*, staff proposes that these factors be included in the RHNA methodology *only* if HMC members feel the policy-based *Projections* do not adequately address a specific land use concern. In addition, any factors included in the RHNA methodology should be consistent with furthering the regional goals for growth as well as the RHNA objectives.

Land Use
Potential factors, as amended by the HMC at the August meeting:
- *County policies to protect prime agricultural land (statutory)*
- *Protected open space—lands protected by state and federal government (statutory)*
- *Protected open space—lands protected by regional, county, local, non-profit entities and Williamson Act lands*
- *Land suitable for urban development or conversion to residential use (statutory)*

As noted at the August HMC meeting, both the inputs and the output of the regional forecast, *Projections*, are consistent with local information about existing development and future development plans, as well as with the regional goals. The regional forecast is predominantly based on local land use and local planning data. All of the above factors are incorporated into the regional forecast. In other words, information about where development cannot occur, such as protected open space, Williamson Act Lands, and other "undevelopable" lands and, more importantly, land that is "suitable" for urban development are the primary inputs and outputs of *Projections*.

In developing forecasts for jobs and households for the region, we begin with a regional forecast and then allocate to local jurisdictions and census tracts. The model used to perform the jurisdiction and census tract allocations uses local land use data (both existing and planned land uses) to identify the potential space available for future jobs and housing. This land use data is collected from local jurisdictions on a periodic basis. The forecast also takes into account various market factors in allocating growth throughout the region.

For example, data regarding local land use policies (and hence local supply of land that is suitable and available for development) is combined with information about the attractiveness of a residential location—housing prices, access to jobs, and other variables—to predict areas of future housing growth. Similarly, information about the attractiveness of a commercial/industrial location—access to potential employees, markets, and similar businesses—is combined with information about the amount of land available for job-supporting development to predict areas of job growth. It is important to note here that, for the *Projections* model, open space and agricultural lands are not likely to be areas that attract growth, which is one way that the forecast promotes their protection.

The use of local planning information provides a local land use basis for forecasting housing and job growth. This ensures that the areas where growth is predicted to occur are consistent with those determined to be appropriate in local land use plans. In this way, growth is directed away from areas that are unsuitable for development, such as federal, state or locally protected open lands, agricultural lands or wildlife habitats.

Protected Lands and other Non-allocating Factors
At its last meeting the HMC decided to look at a broad category of protected land, as indicated in the above list. The purpose was to ensure that new housing was not sited in areas that need to be preserved.

It is very difficult—if not impossible—to create an allocation that prevents housing development in non-developable areas. This is because an allocation, by its very nature, is intended to direct growth to a specific area. This contrasts with the idea of using the allocation to prohibit growth. Since it assigns a share of the regional housing need to each jurisdiction, it describes where housing should go, rather than where housing cannot go.

Therefore, staff recommends that the HMC consider factors that determine where growth can occur, or developable land. This would ensure that housing is provided for only in appropriate locations—developable, non-protected areas.

Example: If Oakland has 8% of all land in the region that is not subject to protection, then it could receive 8% of the regional housing need.

Employment
Potential factors, as amended by the HMC at the August meeting:
- *Existing and projected jobs-housing balance (statutory)*
- *Home-based businesses*

Several HMC members have supported the idea that housing and employment are related and that housing should be allocated to those areas where there are high concentrations of jobs, or where significant job growth is expected. One of the factors outlined in the law is jobs-housing balance.

Jobs-housing balance could be incorporated into the housing allocation methodology by using the *Projections* job forecast, which is available by jurisdiction. Each jurisdiction's share of total jobs or total job growth could be calculated and then used as a basis to allocate housing units. Since the allocation is to individual jurisdictions, we are assuming that there is land that can be used for residential development even though we are looking at job production.

Example: If the expected job growth in Oakland is 5% of the region's job growth between 2007 and 2014, an allocation based on job growth would assign Oakland 5% of the regional housing need.

Home based business could be incorporated into the housing allocation methodology by determining a jurisdiction's share of home-based businesses. This number could then be subtracted from a jurisdiction's share of the job forecast. Each jurisdiction's share of total jobs or total job growth could be calculated and then used as a basis to allocate housing units.

The challenge will be finding sufficient data for home-based businesses for all jurisdictions in the Bay Area, especially for the projected period. Census data may be the best data available. The committee should consider the merits of this approach, especially considering the data limitations.

Housing
Potential factors, as amended by the HMC at the August meeting:
- *Loss of affordable units contained in assisted housing (affordable designation expires) (statutory)*
- *High housing cost burdens (statutory)*
- *Housing needs of Farmworkers (statutory)*

The housing factors discussed by the HMC include both the goals of locating housing in appropriate residential areas, and locating housing where it can improve residential affordability. In the first case, the *Projections* housing forecast could be used to assign housing in proportion to its existing distribution across the region or in proportion to the expected levels of growth across the region.

For Example: If Oakland is expected to have 4% of the growth in households between 2007 and 2014, an allocation based on household growth would assign Oakland 4% of the regional housing need.

For the factor "high-housing cost burdens," assigning more of the housing to high cost areas might be an appropriate way of moderating prices. The allocation might be to assign a higher share of housing to areas with prices above the regional average and a lower share of housing to areas with prices below the regional average.

For Example: If the price of new housing in Oakland is below the regional average, it might receive 10% less than the average allocation of housing in the region. In a jurisdiction that has a higher than average housing price would be given an allocation that is 10% higher than the regional average.

To address housing needs of farmworkers, a jurisdictions total share of farmworkers could be considered in the methodology. Data, however, is limited to census figures, and so that data would have to suffice for the methodology. Growth in farmworkers could not be considered.

For Example: If Oakland had 2% of the farmworkers in 2000, an allocation would assign Oakland 2% of the regional housing need.

Growth Policies
Potential factors, as amended by the HMC at the August meeting:
- *Distribution of household growth (statutory)*
- *Market demand for housing (statutory)*
- *City-centered growth policies (statutory)*

The HMC considered policies like urban limit lines and city-centered growth as factors at its last meeting. The use of local growth polices is designed to ensure that growth occurs within specific locations. Like the factors for protected lands, there is a concern about an allocation based on areas where growth should not occur. It is easier to focus on areas where housing should occur. For example, if we were to use the expected housing growth within urbanized areas as a factor, the allocation would not assign growth to the outlying areas. Please note, however, the law requires that all jurisdictions receive a housing allocation.

For Example: If Oakland's share of housing growth compared to the urbanized areas of the region is 10%, then it would receive 10% of the regional need. At the same time, some areas of the region are not urbanized. Even if some housing growth is expected, this allocation factor would theoretically assign them zero housing.

Physical Constraints
Potential factors, as amended by the HMC at the August meeting:
- *Water and sewer capacity (statutory)*

At the last meeting, the HMC's discussion of physical constraints was limited to sewer/water capacity and geologic factors. For allocation purposes, these factors are similar to land use. They can be difficult to use in a method where factors are designed to assign a portion of a total regional growth, and there are potential problems due to legal restrictions on growth caps.

Like land use, the *Projections* forecast assigns housing and employment to locations that do not have sewer and water limitations. If there is a need for specific allocators in this category then an assessment of appropriate areas for development, represented by land, or some other measure could take place.

Transportation
Potential factors, as amended by the HMC at the August meeting:
- *Existing and planned transit*
- *Maximize use of public transportation and existing transportation infrastructure (statutory)*
- *Commute shed*

These factors all try to locate future housing growth in areas where transportation investments will be used more, or at least more efficiently. An allocation based on job locations, as suggested in the

section on employment would address this issue, at least in part. We could also create an allocation factor that looks at housing potential or job potential near transit. This could achieve a better match between housing and the transit and transportation infrastructure.

Conclusion

In developing an allocation methodology, the HMC must choose from an array of potential factors in a way that achieves the RHNA objectives as well as the Bay Area's goals for regional growth. *Projections* serves as a starting point for both meeting the RHNA objectives and in addressing many of the land use factors. Additional methodology factors should be considered only if there is an issue that is not adequately dealt with in *Projections*, or which needs further attention. Since the purpose of the factors is to distribute shares of regional housing need, the factors chosen must be ones that differentiate jurisdictions.

Some factors may be addressed more effectively in a jurisdiction's housing element or general plan. This is because the RHNA allocation assigns housing to the jurisdiction as a whole. The methodology cannot require more specific assignment of housing within a jurisdiction. As a result, it is up to the local governments to balance housing growth with other local needs.